



Washington Energy Strategy Working Group

In 1994, Gov. Lowry signed an Executive Order implementing the Washington Energy Strategy. The Executive Order directed the Washington State Energy Office, now the Department of Community, Trade and Economic Development, to convene an interagency working group to ensure efficient coordination and pursue implementation of the most promising policy alternatives in the Strategy.

Interagency Energy Strategy Working Group Documents

- [Summary from March 19, 1998 Meeting](#)
- [Summary from September 26, 1997 Public Sector Subgroup Meeting](#)
- [Summary from August 20, 1997 Meeting](#)
- [Summary from July 23, 1997 Public Sector Subgroup Meeting](#)
- [Summary from June 19, 1997 Meeting](#)
- [Summary from May 28, 1997 Meeting](#)

Energy Strategy Working Group Meeting Summary - March 19, 1998

Attendees: Zak Ovadia, OFM; Todd Herreid, DOT; Doug Kilpatrick, UTC; Greg Lee, OSPI; Bob Paulson, GA; Anne Solwick, DOR; Ray Tobiason, WASA; Gwen Haynes, GA; Dave Sjoding, WSU; Jim Kerstetter, WSU; Julie Palakovich, CTED.

1. Global Climate Change; Jim Kerstetter - Jim provided a good overview of global climate change and the potential impact on energy. He covered the science of climate change - what it is, what drives it, what some climate impacts are, and reasons we should worry. Jim discussed energy-related greenhouse gas emissions including methodology; comparisons of global, U.S. and Washington state emissions; illustrated Washington state's trends; and presented projections and climate implications of greenhouse gas emissions. Finally, he outlined the elements of the Kyoto protocol and implications for Washington state energy issues.

2. Outcomes and Implications of 1998 Legislative Session

Leasehold Excise Tax, Anne Solwick, Department of Revenue

No legislation dealing with the leasehold excise tax and its application to geothermal energy was introduced this session; however the study that was discussed at the last Energy Strategy Working Group meeting will be incorporated in a Department of Revenue rule-making process. Margaret Partlow at Department of Revenue (360-753-6769) is the contact person for the process. Leasehold excise tax issues might include:

- Contract rent - market rate; retroactive application; preferential rates
- Management agreements vs. leases
- Liability for tax
- Valuation controversies
- Geothermal energy industry
- Pass-through utility charges; repairs; maintenance; etc.
- Review of statutes - is the issue resolvable by rule-making or are amendments to the statute required?

Electric Industry Restructuring, Solar Tax Incentives, Net Metering; Howard Schwartz

No comprehensive restructuring bill was introduced this year. Senator Finkbeiner drafted a bill and released it after session for discussion. It was not introduced because Republican leadership decided that there was not enough support and that, without clear support from the Governor, the issue was too risky politically. Polls and focus groups suggest that most small consumers in Washington are very wary of restructuring, fearing that it will raise costs for most consumers.

At this time, it appears that there will be no structured effort during the interim to produce a bill for next session. The "Chelan group," a voluntary forum of stakeholder

groups convened originally by Chelan PUD and Washington Water Power, will meet April 17, but it is not clear whether and to what extent this informal negotiation will continue. Chairman Crouse of the House E&U Committee will be holding individual meetings with stakeholders in the interim. Chairman Finkbeiner of the Senate Committee may hold a few meetings over the interim. Progress on the issue will depend in part on developments at the federal level, where there is a lot of activity but not much chance of significant legislation this year.

Since neither the Governor nor legislative leaders chose to pursue comprehensive restructuring legislation, the session took up smaller bills that may lead to more comprehensive legislation in the future. Four significant bills did pass. Two encourage renewables and two are consumer-oriented bills designed to make the electricity system more responsive to consumer needs in a market oriented environment. The Governor has signed all of these bills.

The bills encouraging renewable energy are HB2278 which provides for tax incentives for landfill gas projects and SHB2773 which requires electric utilities to provide net-metering to their residential customers who self-generate from solar, wind or small hydro. Each utility must offer net-metering on a first-come, first served-basis until the total equals 0.1% of the utility's peak demand.

The consumer oriented bills are HB2831 which requires electric utilities to unbundle the cost of their assets and operations and SB6560 which establishes new consumer protections and requires an extensive study of electricity issues.

HB 2831 - Requiring electric utilities to unbundle the costs of their assets and operations.
Summary - Every electric utility must unbundle, and prepare a cost study and a service quality and reliability report. "Unbundle" means to separately identify, and publish the accounting, functionalization, classification, and assignment or allocation, of the costs of electrical service.

At a minimum, an electric utility shall include in the unbundling the accounting treatment for generation and energy supply, delivery services, metering and billing, customer account services, programs to support conservation or renewable resources other than hydroelectric power, general administration and overhead, and taxes. Within the category of delivery services, an electric utility shall separately identify transmission, distribution, and control area services.

Each investor-owned electric utility serving more than one retail customer must file a cost study and service quality and reliability report with the WUTC. Each consumer-owned utility must submit the studies to its governing body in an open public meeting.

The WUTC and the state auditor will submit a report on the result of the cost studies to the Energy and Utilities Committees of the House and Senate.

Special provisions are made for small utilities that operate on a nonprofit basis and serve rural areas and have fewer than 25, 000 electric meters in service.

Large municipal utilities must report to its governing body: 1) the ratio of the utility's customers to its employees and changes in this ratio over the past ten years; 2) the annual sources of funding and the amount of annual expenditures by the utility on conservation, renewable resources, and low-income weatherization and bill-paying programs over the past 10 years.

SB6560 - Protecting the rights of retail electric customers. Summary - Retail electric customers have the right to receive specified disclosures from their electricity distribution utilities. Required disclosures include customer protection policies and procedures and the utility's annual report containing specified information. The consumer protection policies and procedures must include the following: 1) credit and deposit requirements; 2) rates and charges; 3) metering and measurement policies; 4) bill payment policies; 5) payment arrangement options; 6) disconnection notice requirements; 7) confidentiality policies for customer records; 8) customer inquiry and complaint procedures.

A utility's annual report must include at least the following information: 1) number of customers by class and amount of electricity consumed by each class; 2) summary of average rates by class; 3) amount invested in public purposes; and 4) taxes paid by the utility and its customers.

Utilities must identify on all customer billing statements, or by separate written notice mailed quarterly, the various components of electricity service that customers are charged for as part of their bills, including electricity, distribution, metering, overhead, utility investments in conservation and non-hydro renewables, and federal, state, and local taxes.

The Washington UTC and CTED are directed jointly to study the following issues: 1) retail electricity rates and costs in Washington; 2) demographics of retail electric customers; 3) cost-shifting; 4) consumer protection policies and procedures; 5) service territory agreements; 6) service quality and reliability; and 7) investments in public purposes.

SHB 2773 - Net metering for certain renewable energy systems. Summary - It is in the public interest to: 1) encourage private investment in renewable energy resources; 2) stimulate the economic growth of this state; and 3) enhance the continued diversification of the energy resources used in this state. A utility must offer to make net metering available to eligible customer-generators. A "net metering system" is defined as a facility for the production of electrical energy that: 1) uses solar, wind, or hydropower, 2) has a generating capacity of not more than 25 kilowatts, 3) is located on the customer's premises, 4) operates in parallel with the electric utility's transmission and distribution facilities, and 5) is intended primarily to offset part or all of the customer's requirements for electricity.

The electric utility must measure the net electricity produced or consumed during the billing period using normal metering practices. If the electricity supplied by the electric utility exceeds the amount generated by the customer, the customer will be billed for the net electricity supplied by the utility. If the electricity generated by the customer exceeds the electricity supplied by the utility, the customer will be billed for other charges ordinarily on the bills of customers of the same class, and will be credited for the excess electricity on the customer's bill for the following month. At the beginning of each calendar year, any remaining unused credit accumulated during the previous year will be granted to the utility.

Solar Tax Credits and Utility Tax Issues

HB 2927 would have extended the current sales tax exemption for large scale renewable energy system equipment to small scale applications. The existing tax exemption for large systems was initially created to provide incentives for large scale wind farms. The proposed change, supported by Washington State solar industries, would have allowed in state companies to compete more effectively with out of state mail order firms who typically do not charge sales tax. The legislation died in the House Finance Committee. N.B. The landfill gas tax exemption that did pass was a modification to the same existing law.

HB 2425 would have changed the current status of utility taxes to sales and use taxes. Tax rates were not changed. The purpose of the legislation was to allow taxation on sales within the state regardless of the origin (i.e. imported electricity from another state). The bill did not make it out of committee.

Transportation/Fuel Taxes, Todd Herreid, Department of Transportation

The 1998 Legislature passed two key transportation bills that were collectively designed to generate additional revenues for the Department of Transportation. The intent of the Legislature was to use these revenues to repay bonds of approximately \$1.9 billion, thereby providing a funding mechanism for major transportation improvement projects without any increase in the gasoline tax.

The two principal components of the plan are the motor vehicle excise tax (MVET) reduction and reallocation bill (EHB 2894) and the fuel tax evasion bill (SHB 2659). The MVET bill provides a \$30 motor vehicle excise tax credit and redistributes about \$80 million of motor vehicle excise tax revenue per year into the motor vehicle fund. Large sections of EHB 2894 are slated to appear as a referendum on the November ballot. The fuel tax evasion bill raises the point of taxation from the distributor level to the terminal rack, potentially reducing the likelihood of tax evasion. SHB 2659 is expected to generate about \$10 million per year in new fuel tax revenue.

Two initiatives are also being pursued that would eliminate the MVET. Initiatives 690 and 691 will appear on the ballot this fall if sufficient signatures are gathered.

Summary of February 19, 1998 Public Sector Policy Group Meeting

Resource Efficiency Manager Program and the Fort Lewis Project - Scott Wolf of WSU did a great presentation on the cost effectiveness of these programs. For additional information, contact Scott Wolf, WSU, 956-2136.

Getting the word out on the results of Energy Performance Contracting

- including results in GA's Quality Initiative reporting
- featuring the results and what happens to the executive order in the Energy Division's Biennial Report
- writing a news release about Energy Performance Contracting now being available to other public facilities like municipalities and schools.

Public Building Efficiency Executive Order Update

- Meet with two new staff at OFM to brief them on public sector issues right after session.
- Focus on cabinet-level executive agencies to begin with, rather than trying to include schools (buildings that the Governor has control over.).
- Consider specific legislation connected with electric industry restructuring to ensure that schools and governments get what they need in a restructured world (protection and/or aggregation and/or information).
- Consider updating the 1990 Ecotope study of energy usage in public buildings to get a starting point for agencies to begin collecting information from. CTED, GA, SPI, utilities, BPA, and Enron might pool resources to accomplish this.

Solar Roof Program - The idea of putting a solar system on the Governor's residence has been nixed. It's a long, sad, involved story, but Tony and Mike are working on the goal of the 4,999 other roofs to be installed in Washington State.

4. Summary of FEMP Utility Workshop Downlink

CTED Energy Division hosted a downlink for a Combined Utility Teleworkshop on March 10, 1998. The two topics were Utility Deregulation Impacts and Utility Financing.

The goals of the Utility Deregulation Workshop were to identify options available to Federal agencies for buying power through a competitive power procurement and to plan for potential future energy delivery and energy use options. Many of the points made by the presenter could apply to state agencies, also.

The goals of the Utility Financing Workshop were to identify existing utility contract vehicles and to list the phases involved in project implementation.

I have copies of the slides from both of these presentations, as well as the Pre-Work which includes a LOT of useful information. Please let me know if you would like a copy

of the materials from these workshops. You may also still be able to find the information on the FEMP website at <http://www.eren.doe.gov/femp>

5. Next Meeting

The next full Energy Strategy Working Group meeting is scheduled for May 27, 1998 be from 9:30 to noon, at 925 Plum St., Building 4.

The next Public Sector Committee meeting was originally scheduled for April 23, 1998, but has been put on hold until we talk with OFM and Governor's staff.

State Energy Strategy Work Group Public Sector Subcommittee - September 26, 1997

Attendees:

Doug Kilpatrick, UTC	Greg Lee, SPI
Dave Sjoding, WSU CEEP	Eleonore Price, DSHS
Tony Usibelli, CTED	Julie Palakovich, CTED
Bob Johnson, DOC	John Ovitt, Puget Sound ESD
Scott Wolf, WSU CEEP	Bob Paulson, OSP/GA

1) Update on K-12 Activities

Greg Lee presented an update on the K-12 schools activities. Greg is leading a collaborative effort with the numerous school associations, WSU-CEEP, G.A., CTED, ESDs EPA, and others to promote Energy Star/Greenlights. The purpose is to assemble the tools and resources needed to support a uniform and effective K-12 energy/utility management effort and create a market demand by the state's schools districts for services to improve energy efficiency/facility operations. This needs to be a long-term effort that develops a partnership among the districts and those who can provide support services.

Ray Anderson noted that one of the key elements in getting long term success in energy efficiency projects is to identify where you are going to use any energy cost savings before you begin your project. That way savings for an initial project can be channeled into future energy savings projects and not siphoned off to other non-facilities related activities. He also observed that the RCW says you may retain savings from energy projects not that you should. Lease/purchase mechanisms can be a particularly effective way to buy energy improvements.

Greg Lee said that energy accounting also critical to any energy programs. "You can't manage what you can't measure" Greg is looking for ways to use the resources of the ESDs as a cost-effective way to provide such accounting services to districts.

Dave Sjoding mentioned that WSU is a supporter of the Energy Star program.

2) Update on Tacoma Pilot and G.A Energy Savings Performance Contracting (ESPC)

Bob Paulson reported that Tacoma City Light had decided not to proceed with its pilot retail access program for state and public facilities. TCL was concerned about the possible cost shifts from the pilot and, therefore, has suspended it indefinitely. G.A. will continue to look for other opportunities for retail access tests for public facilities. G.A. is trying to get the capitol campus included in the Puget Sound Energy pilot.

Tony Usibelli offered the services of the CTED Energy Policy Group (EPG) if anyone would like more detailed information on Washington State or other utility restructuring activities. In addition, the EPG is available to do presentations to public agencies on restructuring and its possible implications.

Ray Anderson reported that G.A. has reached an agreement with the U.S. Department of Energy to develop a Super ESPC that can be easily used by K-12 and local governments. The program will select about 5 energy service companies that will be under an umbrella contract which will allow K-12 and LG to easily contract for energy savings projects (no need for them to do elaborate solicitations on their own).

G.A. has formed an advisory committee made up of K-12 and LG reps. G.A. expects to issue an advertisement for the ESPC contracts by January 1998.

3) Executive Order on Energy Efficiency

The remaining time in the meeting was devoted to a discussion of developing a state executive order on energy efficiency. Most of the discussion centered on federal executive order 12902, "Energy Efficiency and Water Conservation at Federal Facilities," as a model for a Washington state document.

Tony reported that the idea was presented to Marilyn Showalter, Governor Locke's energy advisor. Her response was that encouraging and promoting energy efficiency in public facilities makes good common sense. The group discussed whether an executive order was a good idea. There was general agreement that it was, but some concern that it might be a little premature.

Specific points raised:

- Might want to co-sign this order together with the Superintendent of Public Instruction

- Might want to tie into a signing with Greenlights/Energy Star event
- An executive order on efficiency is a good tie-in to Gov. Locke's quality initiative. Eleonore Price mentioned that DSHS included building maintenance and efficiency as part of its quality initiative plans. (She will send along further information).
- This is good time to move forward with some specific effort- strike while the iron is hot e.g. electric restructuring discussion and efficiency in government.
- Executive orders can be difficult to change - we might want to consider some other type of action such as a directive that energy efficiency/facility improvement can be credited toward quality initiative performance goals.
- May want to have governor issue the order as a challenge to other state governments.
- Need to unite energy efficiency/management with state facility management policy by this means

Content of Order

- Keep it simple and buildings related
- Put in staggered deadlines
- Focus on reducing resource costs.
- Annual reporting is very important since - "if you don't know where you are you don't know if you've reached your goal."
- Don't include too many specific details in the order. Those should be left to the implementation committee
- Don't include the mandates for reduction of petroleum use - keep it simple and focused
- The baseline year should come from the year for which we have the most complete data. G.A. probably still has good data from 1986-1991. Ray Anderson will look into what information is still available
- Set out specific goals, a timeline, and implementation elements.
- Probably don't include renewables, at least initially

N.B. Please send me an e-mail (tonyu@ep.cted.wa.gov) if you have corrections or additions to the above list.

Follow-up Items

- Tony will draft a document for review by the group prior to the next meeting.
 - Greg Lee will continue his work with K-12 Greenlights/Energy Star and report back at the next meeting.
 - Next meeting will follow the next SES Task Force: Thursday, October 23 Noon to 2 PM. Bring a sack lunch
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Energy Strategy Working Group Meeting Summary - Wednesday, August 20, 1997

Attended by: Eleonore Price (DSHS); Charles Carelli (Ecology); Barbara Betsch (L&I); Scott Wolf (WSU); Curtis Framel (USDOE); John Ovitt (Puget Sound ESD); Gwen Haynes (GA); John Doyle (DOT); Bob Johnson (DOC); Tony Usibelli (CTED); K.C. Golden (CTED); Jeffery Showman (UTC); Julie Palakovich (CTED).

Summary of July 23 Meeting of the Public Sector/Electric Restructuring Group -

Tony Usibelli provided an overview of the July 23 meeting to discuss public sector involvement in the electric restructuring effort, which was attended by Depts. of General Administration, Corrections, Licensing, Transportation, and Social and Health Services, UTC, SPI, CTED, Community and Technical Colleges, and Puget Sound ESD. Graphs illustrating energy use in public facilities indicated that public facilities paid \$165 million for energy in 1990. Life cycle cost savings potential is \$57.2 million with nearly \$30 million of that amount possible in K-12.

Tony explained that electricity restructuring offers new opportunities for electricity cost savings (possibly); energy efficiency (taking advantage of the best and getting prepared for the worst); and improving the link between energy and facilities management. He talked about three pilot projects being conducted by Puget Sound Energy, Washington Water Power, and Tacoma Public Utilities. These programs are trying out ways of dealing with different aspects of potential restructuring outcomes.

There was also a discussion on energy performance contracting, a process that the state of Washington has been involved in for many years. Ray Anderson provided a listing of public facilities that have participated or are currently participating in energy performance contracts.

Tony also handed out an overview of the State Electricity Purchasing Pilot. The Office of State Procurement and the Division of Engineering and Architectural Services have joined forces to develop strategies for assisting state institutions to lower their electrical energy costs by improved management of their electrical consumption and by competitively purchasing electricity from the wholesale electrical market.

Action items for the Public Sector Subcommittee include investigating a state executive order on efficiency; researching energy facilities management RCWs and WACs; tracking the Tacoma Public Agency pilot program; developing a workplan for public agency aggregation and procurement with the Office of State Procurement; and identifying roadblocks to energy efficiency and good facilities management.

Federal Executive Order on Energy Efficiency in Buildings as an Example for Washington -

Curtis Framel, U.S. Department of Energy, provided an overview of the Federal Energy Management Program (FEMP) and President Clinton's Executive Order on energy

efficiency and water conservation in federal facilities. The Federal Government is the largest energy consumer and uses 2 percent of the total U.S. energy in 500,000 buildings totaling 3.1 billion square feet. Federal end-use sectors include buildings and facilities, vehicles and equipment, and energy intensive operations. DOD accounted for 81.4 percent of the federal energy consumed in 1994, down from 86.5 percent in 1985. The Federal Government spent \$7.9 billion on energy costs in 1995. The FEMP mission is to reduce the cost of government by advancing energy efficiency, water conservation and the use of solar and other renewable energy. These goals will be accomplished through partnerships, leveraging resources, technology transfer, and training and support. Barriers to these goals include energy efficiency being a low priority in most government agency missions; lack of financial resources; lack of information; lack of technical expertise; and lack of staff.

Curtis also discussed Super ESPC (Super Energy Savings Performance Contract), a simplified method to implement ESPC by utilizing existing general ESPC terms and using delivery orders to perform site specific projects. Federal sites, Energy Service Companies and their subcontractors and vendors, surrounding communities, and TAXPAYERS all benefit from the Super ESPC. ESPC is a Federal and private sector partnership whereby an energy service company pays the upfront cost of purchasing and installing new energy-efficient equipment and the government repays the Energy Service Company over the life of the ESPC contract using the savings from reduced energy costs.

The Energy Policy Act of 1992 calls for a 10 percent reduction in energy use in federal buildings by 1995 (this goal has been met); 20 percent reduction in BTUs per square foot by FY2000; installing all cost-effective energy and water conservation measures by 2005, and 30 percent reduction by 2005 per Executive Order 12902. To meet the 2005 goals, the Federal government will need to invest \$5 billion to meet building energy goals, and \$1 billion to meet water conservation goals. \$3 billion of this will come from appropriations, \$0.8 billion in utility funding, and \$2.5 billion from ESPC.

DEVELOPING SUBSTITUTES FOR TRANSPORTATION

Telecommuting, Telework, and Telecommunications -

Dee Christensen, Washington State University Cooperative Extension Energy Program.

Telework Centers (also called Telecenters or Telebusiness Centers): There is a growing interest in telework centers, as well as fairly significant levels of government spending to help establish and subsidize them. Though many people are optimistic about their future, the results to date and the methods that have been used to set up centers seem to indicate that they are not living up to expectations. Washington State established the second telework center in the country as part of the Puget Sound Telecommuting Demonstration. Employees that used the center loved it. However, when the one year demonstration ended, employers were not willing to pay market value for workstations in the center. Since most telecommuters only worked at the center part-time, the employers weren't could not justify paying for office space twice for an employee. This experience has been echoed in other parts of the country (most activity has centered around Washington DC

and California). Research has shown that telecenters are quite effective at reducing travel, however, unless they can become a viable business, they will not survive without public subsidies.

Telecommunications is increasingly considered as a potential strategy to reduce transportation demand.

WSU Energy Program is interested in exploring the concept of "televillages" for rural communities. A televillage is a virtual community of people, businesses, government, schools, libraries, health-care providers and others connected through a common vision or need and linked through telecommunications, information resources and shared services. Applied to rural communities, the televillage concept does not have a transportation impact. Instead, it can help strengthen their economies by retaining, creating, and attracting information-based businesses, and access services and information that had been available only in larger, more urban areas. WSU's interest is in evaluating the impacts of televillages on communities and is working with the town of Republic and the Rural Development Council seeking funding for two separate project proposals.

WSU Energy Program and DIS/WIT are interested in researching the travel impacts of the WIT teleconferencing program. Funds have not yet been identified to support this project.

Washington Interactive Technologies -

Karen Taylor and Daryl Pfeif, Washington Interactive Technologies.

WIT has changed its name from Washington Interactive Television to Washington Interactive Technologies to reflect its expanding scope. Activities WIT is involved in include training, public hearings and legislative involvement, education, communications and media relations. Their efforts began with videoconferencing and they now have eight sites across the state. By accessing the Videoconference bridging service you can reach many other Videoconferenceing sites within the state of Washington, the United States, or the World.

The new audio transcription service has been designed to meet ADA requirements through captioning and by putting printed material into an audio format. WIT has an evolving multi-media capability including WEBSITE design, CD ROM development and whole systems planning for intranets and internets. DSHS has used WIT for a computer-based training for foster parents. Training on the Internet is gaining in popularity and effectiveness.

WIT's new mission is to deliver convenient, cost effective, electronic media services that promote robust public participation and access. Many of WIT's projects are directly tied to transportation and greatly reduce travel costs and time spent out of the office. WIT's studio is equipped with a Live Broadcast Uplink that enables them to transmit programming statewide and nationwide WIT has a partnership with over 350 down-link

locations, and cable channels across Washington State. They also have the capability to send their programs out live over the Internet.

DOT works with WIT on a program funded by a ferries tax to promote public awareness and participation in a high-speed rail proposal using Videoconferencing. OFM is producing a video for travel regulations. WIT programs have saved state agencies over \$10 million in travel and other cost since they began four years ago. WIT received a special recognition award from the U.S. Department of Energy for reducing emissions.

Forty-eight WIN Kiosks are in place across the state and are used for providing 24 hour access to government information, travel information, energy reduction tips, and will soon be providing transactions like purchasing fishing licenses, as well as information.

Update on Strategy Recommendation Regarding Access to Services that Provide Simultaneous Transmission of Voice and Data -

Jeffrey Showman, Utilities and Transportation Commission

Most telecommunications companies (including GTE, US West, SPRINT in Poulsbo) have simultaneous transmission of voice and data as an option in their services. However, the service needs to pay for itself and it is not cheap, running about \$60 to \$100 per month. Access requires an ISDN router at the computer; and two voice and one data line - approximately 56K modem. T-1 lines can serve the same purpose and carry about 24 voice lines. Other technologies have been developed since the Energy Strategy was written that have increased access to simultaneous voice/data transmission. These include: faster modems; wireless modems; and Internet service providers offering similar services. Software developments have improved access, also, particularly "Lotus Notes," for WWW which was built for remote work in big companies.

The Public Sector Subcommittee will meet again on September 26, 1997, and the full Energy Strategy Working Group will meet October 23, 1997.

State Energy Strategy – Public Sector and Electricity Restructuring Working Group Meeting Summary - 9:30 AM – Noon, July 23, 1997

Attended by Tony Usibelli, (CTED - Energy Policy), Scott Wolf (WSU Energy Program), John Ovitt (Puget Sound Ed. Svc. District), Greg Lee (SPI/SBE), Jeff Showman (WUTC/Policy), John F. Reda (DOL/Facilities), Bob Johnson (DOC Capitol Program), Randy Bunker (OSP), Eleonore Price (DSHS), Ray Anderson (GA/EAS), Doug Kilpatrick (WUTC Elec. Staff), Bill Julius (SBCTC)

Overview of Past Public Sector Work

Tony Usibelli distributed a packet of background information on the public sector. Please contact Tony if you did not get a copy.

Review of Possible Legislation Being Introduced Next Session

There was brief discussion of the utility tax and proposed legislation in the last session.

No one had heard of any specific new restructuring legislation. However, it appears that the legislature is getting pressure from the congressional delegation to move forward on legislation.

Jeff Showman and Doug Kilpatrick gave a detailed overview of the upcoming Puget Sound Energy (PSE) and Washington Water Power (WWP) pilots.

PSE's pilot is focused on Kitsap and Skagit counties (Bremerton and Mount Vernon) with about 8,000 to 10,000 participants. UTC approval is imminent. John Ovitt is member of the PSE pilot advisory group. He noted that the pilot would not resolve the key question of restructuring i.e. cost. UTC staff noted that PSE will have to do a cost of service study by the end of the year.

WWP began with an industrial pilot project (DADS) and is now developing a residential/commercial pilot for Odessa and Harrington. Due to a lack of suppliers, the pilot has been delayed.

The group then went on to discuss how the possible relationship between electricity restructuring opportunities, energy efficiency/management, and public facilities management.

What Do We Want to Accomplish?

Greg Lee mentioned the work that had already been done on state facilities management. He noted in particular the Dye and Adkins reports. Someone asked about the OFM-based Capital Policy and Communications Committee (CPCC). It was noted that the CPCC has become essentially a mechanism for OFM capital section to focus on specific issues and that there is little or no acknowledgement of the relationship between capital decisions and operation/energy activities.

Greg Lee observed that the state still lacks a clear, implemented policy on integrated facility management and energy. K-12 does not have the rewards necessary for good facility/energy management. We need to do research on the laws and regulations related to facility and energy management.

Ray Anderson observed that people with vision are the ones who make good facilities management and energy efficiency happen.

The group felt that electricity deregulation presented a good opportunity to advance some long-standing agendas for improved energy efficiency and facilities management.

Ray Anderson described a G.A. pilot project with Tacoma City Light. The project would test the interest of 6 public organizations (Pierce and Tacoma CCs, Western State Hospital, WA State Historical Museum, McNeal Island, and a group of leased facilities) in "retail access." Letters were set out in July. The pilot should provide some valuable information on the possible benefits, costs, and interest in retail access.

There was a discussion of various impediments to energy efficiency. These included:

- Leased facilities
- Fragmented facilities policies
- Lack of interest by OFM capital group in anything related to operating budgets
- Fragile support for energy and facilities "champions"
- Student based allocation formulas for facility budgets
- Putting O&M dollars into operating budgets. Should be part of capital

John Ovitt expressed some skepticism about whether a restructured electricity industry would actually result in lower rates for anyone other than large industrial customers. He felt that public entities should a) help shape the direction of regulatory policy, and b) should look into procurement and aggregation options.

He also commented that up to now public facilities have not really gained anything from natural gas deregulation

Approach?

The group suggested several approaches. They were:

Investigate how this group might use the Governor's Quality Initiative as a means to advance our goals of energy efficiency and improved facility management.

Look into indefinite ESCO procurement approaches used by the federal government. (This may not be necessary since Washington ESCO laws and regulations already work well)

Look into an executive order on efficiency. However, an executive order only applies to executive agencies.

Examine group purchases to both reduce costs and to bring agencies together to work on common issues and concerns. Most purchasing activities can be done without the need for legislation or an executive order.

Work up gradually on any effort we try. The Tacoma pilot is a good start.

Follow-up

1. Look into the federal executive order, 12759, that requires federal facilities "by the year 2000 [to] reduce overall energy use... by 20 percent from 1985 energy use levels." Could this be a model for a Governor's executive order? Tony will ask Curtis Framel for U.S. DOE to attend the next SES meeting to provide background on the federal effort. [Curtis has agreed to attend the Aug 20 meeting to brief us]
 2. Everyone will provide Tony with the relevant RCW and WAC references for facilities management in their organization. Send by electronic mail within two weeks.
 3. Randy Bunker from OSP will work with Bob Paulson to develop a workplan describing how public agencies might begin to take advantage of group buying (aggregation) of electricity. [I have spoken to Bob Paulson and he will develop something for the Aug 20 meeting]
 4. Tony will look into the details of developing an executive order on efficiency in public facilities.
 5. The group will begin to develop or expand on a "laundry list" of policy roadblocks to energy efficiency and good facilities management.
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Energy Strategy Working Group Meeting Summary - Thursday, June 19, 1997

Attended by K.C. Golden (CTED), Liz Klumpp (CTED), John Adsit (Corrections), Ray Anderson (General Administration), John Ovitt (Puget Sound Educational Service District), Jeffrey Showman (UTC), Greg Lee (OSPI), Charles Carelli (Ecology), Gerry O'Keefe (OFM), Dave Sjoding (WSU), Barbara Betsch (L&I), Anne Solwick (Revenue), and Julie Palakovich (CTED).

Electric Restructuring - KC Golden

KC gave a presentation on reconciling consumer choice with the collective challenge of running a good power system. Historically, this was relatively simple. The monopoly

utility absorbed costs that were deemed to be in the long-term interest of customers and were compensated for those costs in regulated rates. With restructuring the relationship is getting increasingly complicated, with "armies" of buyers and power suppliers mobilizing to make transactions. To the extent allowed by law, these transactions may be structured so as to bypass costs that were incurred as part of the monopoly system. Opportunities to bypass these costs may be characterized as "cost windows." Some of these windows represent inefficiencies, while others represent important policy goals that were woven into monopoly service.

	COST WINDOWS	
BUYERS	Inefficient Power Suppliers	POWER SUPPLIERS
	Taxes	
	Energy Efficiency and Renewables	
	Stranded Costs	
	Reliability	
	Environmental	

The policy debate involves which of these windows to leave open and which to close. Both sides are amassing huge amounts of commercial talent to figure out how to get through the windows. Right now there is little policy guidance that defines competition.

GA and Corrections have already been approached by energy suppliers and are uncertain about how restructuring will work to their benefit. There may be the possibility of banding together state agencies for bulk purchase. Aggregation is currently not allowed and the challenge is that although the state does use a lot of electricity, there is a wide range of different uses and demands. Different suppliers, or agents, will be offering different "packages" which could include metering, billing, energy efficiency, etc.

The role of the state needs to be determined in electricity restructuring. There was some discussion of the goal to force utilities to be more efficient and their right to reap the benefits of good investments and the responsibility of paying for the bad investments; regulating brokers or aggregators; and the fact that less than 40 percent of utilities actually go through Washington's utility regulation.

Also part of the mix is the BPA subscription process. The region has a collective commitment to pay for the cost of the system. This may mean that BPA's prices will be above market price to cover the cost of the system, but may be worthwhile if it ensures utilities have the ability to stay with BPA in the long term. Another question is whether prices will equalize across regions.

K.C. also talked about the recommendation of the Comprehensive Review Committee to place a 3% charge on distribution to cover energy efficiency, renewables, and low-income.

In the near future, our utility bills will likely have a breakdown of what is being paid for with our payment - the "food labeling" analogy.

The Working Group decided to meet as a smaller group in July to discuss issues related to the public sector and electric industry restructuring. The full Working Group will then meet again in August.

Consumer Choice - Liz Klumpp

Liz Klumpp talked about the potential and challenges of consumer choice in a restructured world for state agencies, school districts, and local governments in particular.

The potential benefits include the fact that the cost of generating power is dropping regardless of retail competition; consumers are becoming more informed, which is stimulating the market for energy services; the value of capacity is dropping, so peak load customers such as schools won't be penalized as much in the future; the possibility of aggregating your load with partners such as other school districts, local governments, sewage treatment plants, etc.; "unbundling" of service and bills will increase customer's knowledge of how they use power and what steps they can take to reduce costs; customers have the opportunity to pay only for the products that they need; and the opportunity to support local or state policies such as buying renewable power.

Energy services provided by power suppliers or marketers could include packaged energy deals marrying kWh sales with energy management programs; emergency notification of loss of power (of particular interest to those with refrigeration needs). It will become increasingly important for customers to contact energy service companies to explore possibilities.

Washington's electricity market is in transition. Sixteen percent of electricity sold in Washington is to Direct Service Industries such as aluminum companies. At least 12 utilities in Washington are experimenting with market-based rates. The attached memo provides additional information regarding these 12 utilities. Ten percent of Washington's retail load is known to be eligible for market-based rates and nearly all of this is industrial.

The need for public policy is based on a number of reasons: Budgets for demand side management in most communities are dropping; local and state tax bases are eroding due to retail sales by out-of-state suppliers; concerns about equity - who is paying for above-market costs while some obtain access to market-based rates; and supporting policies that promote fair competition.

Recommendations that Liz had for customers in a restructured electric environment include understanding the energy needs of your organization (Resource Conservation Managers are a good place to start); understanding different components of costs and

making informed choices by seeking unbundled services from utilities or energy service companies; obtaining multiple bids, and seeking partners for load aggregation.

Role of the Energy Strategy Working Group

The top vote-getters for topics of interest in the Energy Strategy from the May meeting included: transportation; natural gas and electricity issues; energy efficiency in buildings, and public sector energy efficiency as the CORE of what the Energy Strategy Working Group does. The group brainstormed potential roles for the Energy Strategy Working Group for the upcoming year and these can be summarized into five basic categories:

Influence Legislation. Keep apprised of energy-related legislation. Prepare initiatives when appropriate. Use the Energy Strategy Working Group to gauge reaction or influence energy policies. Undertake a coordinate response to energy policy.

Identify impediments to achieving the goals of the Energy Strategy. Energy efficiency policies are mostly in place - IMPLEMENTING them can be the problem. The Energy Strategy Working Group could work to remove the stumbling blocks for more successful implementation of energy policy.

Public Sector involvement in the benefits of electricity restructuring. Knowing what is happening with restructuring and how state agencies can take advantage of the benefits - "results oriented." Work with the restructuring bill (if there is one) to get benefits for the public sector. Work on aggregation.

Work cooperatively with the Governor and Legislature in the area of energy efficiency. Use each agencies' policies and procedures to implement energy efficiency. Need Office of Financial Management and Governor's involvement and support for energy policies and recommendations. Group could serve the Governor by providing sound recommendations. Do not presume that OFM/Governor's office knows what is best - they could be looking to this Working Group for recommendations.

Be PROACTIVE and take on action items that would save money for the State of Washington. The Working Group could be a voice for public recognition of energy policies that benefit the public sector and therefore the State. Get information down to the people who need to make decisions on energy issues. Make a list of energy policies and inform those who need the information. Tie this all in with the Governor's Quality Initiative.

Energy Strategy Working Group Meeting Summary - Wednesday, May 28, 1997

Attended by: K.C. Golden (CTED); Lee Link (WSU); Brian Lagerberg (DOT); John Doyle (DOT); Carolyn Wyman (CTED); Bill Julius (SBCTC); Charles Carelli (Ecology); Bob Johnson (Corrections); Mary Pat Frederick (L&I); Ray Anderson (GA); Greg Lee (SPI); John Ovitt (Puget Sound ESD); Marilyn Showalter (OFM); Anne Solwick (DOR); Jim Hedrick (DOR); Jeffrey Showman (UTC); Julie Palakovich (CTED).

I. Welcome and Introductions

During introductions, the group was also asked to each select three topics from the Energy Strategy that they were interested in hearing more about; they felt were prominent issues for the next year; or they would like the working group to consider. Results were:

TRANSPORTATION (2)

1. Planning (Growth Management, Least Cost Planning) (3)
2. Operating Efficiencies and Connections
3. Changing the Way People Travel (4)
4. Developing Substitutes for Transportation (3)
5. Using Alternative Fuels
6. Improving Freight Mobility (3)
7. Improving Vehicle Efficiency (1)

ENERGY FOR BUILDINGS, FARMS, INDUSTRY (1)

1. Natural Gas (9)
2. Electricity
3. Energy Conservation (2)
4. Improving System Efficiencies (2)
5. Choosing New Generating Resources
6. Renewable Energy Sources (1)
7. Coal and Nuclear
8. Non-Utility Fuels (petroleum, wood, coal)
9. Improving the Efficiency of Buildings (7)
10. Low Income Assistance (2)
11. Energy Education (2)

PROTECTING OUR ENVIRONMENT (2)

1. Carbon Dioxide and Climate Change (2)
2. Environmental Regulation and Energy Decision Making (2)

SITING ENERGY FACILITIES (1)

Addition: State Procurement of Energy (1)

II. After WSEO

DOT CTR Program - Brian Lagerberg, CTR Program Manager described recent changes in the CTR program, including an extension to the CTR goal to 2005 instead of 1999. They are also increasing efforts regarding public awareness; have completed a survey of 330 organizations participating in CTR (which indicated that participating employees continue to have a decrease in drive alone trips); have acquired \$75,000 to determine how to use a portion of the High Capacity Transit Account and improve public transportation coordination between counties. Having CTR now in a larger, more established agency has allowed the program to take more risks than previously and they do not have some of the constraints on the program that they had formerly.

GA Facilities Engineering Services Program - Ray Anderson discussed the transition of the Public Sector Programs from WSEO to GA. A lot of time was spent in learning new fiscal processes, contract requirements, and about the expanded client base. The Public Sector Programs and staff are integrating well into GA.

Formerly, GA was more concerned with the design and construction of hardware in public buildings using performance contracting techniques, while the WSEO program brought the concept of soft technologies to the conservation efforts, such as the Resource Conservation Manager program. Both types of services are now being offered to public building administrators. GA has gained additional client groups including K-12, local governments, and federal facilities. The Plant Operation Support Program has also been included in the overall mix of programs being offered to public agencies.

GA is developing a program designed to take advantage of the deregulated energy market. A key element will be assisting agencies in managing their energy budgets through conservation efforts, resource management efforts and tracking of energy usage.

Ray also proposed that the four agencies now housing former State Energy Office programs need to coordinate activities more closely and provide a roadmap of programs so clients can be better served have their needs met, no matter what agency they start with, develop a "virtual Energy Office" concept.

Washington State University Cooperative Extension Energy Program (EP) - Dr. Lee Link, Clearinghouse Manager (sitting in for Kristi Growdon, overall manager of EP), explained that the move to WSU has been a good fit for the Energy Program. Coop Extension is expanding its mission, and the goals of EP fit well with their parent organization. EP has an increased and expanded audience and staff are now increasingly involved in national as well as international energy projects. Lee provided an overview of the 8 energy programs and who is the lead for each: Education - Rich Prill; Telecommuting and Telework - Dee Christiansen; Energy Ideas Clearinghouse - Lee

Link; Industrial - Rob Penney; Building Standards and Science - Karen Messmer; Renewables - Jim Kerstetter; Energy Library - Ted Hamilton; Software Development - Mike McSorley.

[CTED Energy Division](#) - K.C. Golden described the role of the [Energy Policy Group](#) and the [Energy Facility Site Evaluation Council](#) as a new division of Community, Trade and Economic Development. Electricity restructuring has been the biggest issue this year. Staff also responded to energy emergency situations resulting from the winter storms. The group continues to put additional efforts in exploring options in climate change; energy and economic development; and how the group communicates with client groups. He is very encouraged by the opportunity to work with other CTED divisions on these issues and believes that the Energy Policy group has found a good landing place with CTED. EFSEC is working on the Cross Cascade petroleum pipeline proposal, while monitoring implementation of their existing cite certification agreements, particularly at WNP-2.

III. Update on Electricity Restructuring in Washington State

K.C. Golden provided background information and an update on the status of electricity restructuring in Washington State. The overview covered the 1992 Energy Policy Act; the restructuring efforts in the Northwest, focusing on the Comprehensive Review of the Northwest Energy System and the Northwest's special and challenging situation with the Bonneville Power Administration; Washington legislative efforts on restructuring during this year's session; and the debates regarding how to pay for stranded costs and for public purposes such as low income energy programs, renewables, and fish recovery.

Marilyn Showalter highlighted Governor Locke's Statement of Principles for Restructuring the Electric Power Industry. She acknowledged the extreme complexity of the situation and the administration's desire to make sure the legislation addresses more issues than simply lower prices.

Action: This topic will be delved into deeper at the next Working Group Meeting. Working group members were very interested in this issue, particularly how the changes may affect state agencies or school districts.

IV. Energy-Related Legislative Tax Issues

Use Tax on Brokered Electricity - Jim Hedrick gave an overview of the Use Tax on Brokered Electricity. This new use tax would be imposed in place of Public Utility Taxes on electricity consumed within the state that is purchased outside of the state. Two exemptions would apply - consumption of electric power generated for one's own use, and consumption that is purchased directly from "an agency or instrumentality" of the Federal government (i.e. BPA). A credit is allowed directly against the tax in an amount equal to the gross receipts tax imposed by another state. Municipalities are authorized to levy use taxes with an exemption and credit structure identical to the state. 1997-99 state general fund revenue impact is \$6.5 million. The reason the bill was developed was to

maintain the competitiveness of in-state producers of electric power. Having NO use tax places Washington electric utilities at nearly a 10% disadvantage. The bill would also protect against erosion of the state and municipal tax bases. DOR finds it necessary to get a workable taxing mechanism in place NOW before deregulation occurs.

Centralia Steam Plant Legislation - Anne Solwick gave an overview of the background and reasoning behind the legislation enacted which will benefit the Centralia Steam Plant. The Centralia Steam Plant is the single largest producer of sulfur dioxide in the state and is the second dirtiest producer of electricity west of the Mississippi. The Southwest Air Quality Control Authority issued a cease and desist order to the Plant. Because the Plant and the related Centralia Coal Mine are the largest employers in Lewis County with 670 employees, a creative alternative was sought. Through a collaborative decision-making process including representatives from the regulatory agencies, environmental groups, and the Plant, a legislative plan was conceived. The proposed legislation sought to provide sufficient tax incentives to the Plant to make it economically viable to retrofit the plant. The original legislative plan went through many revisions centering on questions of the gift of public funds, local versus state impact, and safeguards against the Plant benefiting from tax incentives and then shutting its doors. The resulting legislation grants \$62.5 million in sales and use tax and property tax exemptions over the next six years and an estimated \$130 million in tax benefits by the year 2023, an obligation on the plant to reach a target level of SO₂ emissions by the year 2005 together with various safeguards for the state including a payback of tax exemption benefits if the Plant ceases operation or ceases to purchase its coal from the Centralia Coal Mine.

V. The Role of the Energy Strategy Working Group

Due to time limitations, this discussion will take place at the next Energy Strategy Working Group Meeting.

VI. Scheduling of Next Meeting

After a proposal to meet in July, the group indicated a preference for meeting sooner rather than later until the Working Group gets its direction set for the next year. The next meeting has been scheduled for June 19, 1997 from 9am to noon, in conference room 308; 925 Plum Street SE, Building 4.
